



**FEDERAL ELECTION COMMISSION**  
WASHINGTON, D.C. 20463

**SEP 4 2008**

**Michael A. Nemeroff**  
**Sidley Austin**  
**1501 K Street, N.W.**  
**Washington, D.C. 20005**

**RE: MUR 6061 (formerly P-MUR 448R)**  
**Seaway Bancshares, Inc.**  
**Seaway National Bank**

**Dear Mr. Nemeroff:**

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting that your clients, Seaway Bancshares, Inc. and Seaway National Bank, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). Upon further review of the information, the Commission, on August 19, 2008, voted to dismiss the allegations as they pertain to Seaway Bancshares and Seaway National Bank. The Factual and Legal Analysis, which more fully explains the Commission's decision, is enclosed for your information.

Nevertheless, the Commission admonishes Seaway National Bank for apparent violations of 2 U.S.C. § 441b for making prohibited political contributions. Your clients should take steps to ensure that this conduct does not occur in the future.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003).

If you have any questions, please contact me at (202) 694-1548.

Sincerely,

A handwritten signature in black ink, appearing to read "Elena Paoli".

**Elena Paoli**  
**Staff Attorney**

**Enclosure**  
**Factual and Legal Analysis**

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**FEDERAL ELECTION COMMISSION**

**FACTUAL AND LEGAL ANALYSIS**

**RESPONDENTS:     Seaway National Bank                             MUR: 6061**  
**Seaway Bancshares, Inc.                             (previously P-MUR 448R)**

**This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities**

**A.     Seaway National Bank**

**Seaway National Bank ("the Bank") is a federally chartered bank that was founded in 1965 in Chicago.**

**The Federal Election Campaign Act of 1971, as amended ("the Act"), prohibits any national bank or a corporation organized by authority of any law of Congress to make a contribution or expenditure in connection with any election to any political office. 2 U.S.C. § 441b(a).**

**the Bank made political contributions between June 2000 and August 2002, in violation of the Federal Election Campaign Act of 1971, as amended ("the Act"). The contributions were made to state and local political campaigns and totaled \$3,000. The State of Illinois campaign finance disclosure website reveals that the Bank made an additional \$7,300 in contributions to state and local political campaigns from 1997 through 2006, and the Commission's website reveals that the Bank made a federal political contribution in 1999 in the amount of \$300. As of January 1, 2008, \$3,950 is not time-barred.**

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1           **Thus, it appears that Seaway National Bank violated 2 U.S.C. § 441b(a) by making**  
2 **political contributions. Given the low dollar amount that is not time-barred by the statute of**  
3 **limitations, the Commission dismisses the complaint as to the Bank and admonishes the Bank for**  
4 **making political contributions.<sup>1</sup>**

5           **B.     Seaway Bancshares, Inc.**

6           **Seaway Bancshares, Inc. ("the holding company") is a single-bank holding company**  
7 **incorporated in Delaware, and the bank it holds is Seaway National Bank. From September 1994**  
8 **through June 20, 2007 (the date of its last contribution), the holding company appears to have**  
9 **made \$113,925 in contributions to state and local political campaigns in Illinois. About \$68,000**  
10 **in contributions is still within the statute of limitations. The holding company does not appear to**  
11 **have made any federal political contributions.**

12           **Illinois law permits corporations to make contributions to state and local campaigns, and**  
13 **the Act and Commission regulations do not explicitly prohibit state and local contributions by**  
14 **one-bank holding companies. In Advisory Opinion 1981-61, the Commission stated, however,**  
15 **that a one-bank holding company could make state and local political contributions "provided**  
16 **that the funds used by the parent holding company to make the contributions were not funds**  
17 **which resulted from the operation of the federally chartered corporation." The Commission was**  
18 **concerned that national bank funds would be used to make political contributions through the**

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1 structure of a one-bank holding company, in contravention of the prohibition on political  
2 contributions by a national bank.

3 Seaway Bancshares claims it had no knowledge of the advisory opinion. Nevertheless,  
4 Seaway Bancshares describes two non-bank-operations transactions that appear to have resulted  
5 in enough funds to cover the political contributions. In 2001, the holding company sold property  
6 that it bought from the FDIC in the mid-80s to the Bank, and recorded a profit of almost  
7 \$150,000. The sales price was based on current market values. In 2006, the holding company  
8 invested \$186,000 in a purchase of stock. Although the purchase was related to a \$6 million  
9 investment in the Bank, the holding company retained the \$186,000. Thus, it argues that both  
10 transactions assured that the holding company had non-bank operations assets with which to  
11 make political contributions.

12 Because the holding company appears to have had non-bank funds with which to make  
13 political contributions, the Commission dismisses this matter as to Seaway Bancshares, Inc.<sup>2</sup>

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<sup>2</sup> See AO 1995-31 (San Diego Host Committee) (permitting presidential convention host committee to accept contributions from bank holding companies provided that the funds were not derived from banks and that these entities could demonstrate that their revenues were sufficiently large to make these donations from non-bank income); AO 1995-32 (Chicago's Committee for '96) (same).